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C O N F I D E N T I A L SECTION 01 OF 02 YEREVAN 000369

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TAGS: [PGOV](#) [PHUM](#) [ECON](#) [KDEM](#) [KCRM](#) [AM](#)
SUBJECT: PIZZERIA WAITRESS PRESSURED TO FLIP ON FUGITIVE
OLIGARCH

REF: YEREVAN 297

Classified By: CDA JOSEPH PENNINGTON. REASON 1.4 (B, D)

1.(C) The GOAM's apparent retaliation campaign against fugitive MP/oligarch and Levon Ter-Petrosian (LTP) supporter Khachatur "Grzo" Sukiasian has now reached down to a waitress at one of the restaurants owned by his company. She has been arrested for large-scale tax evasion, with the apparent aim of compelling her to implicate Sukasian. This move follows surprise inspections last fall launched against Sukiasian's businesses by the State Tax Service and Customs holdups in March and April of products imported by another Sukiasian-owned company (reftel). In a different case, Sukiasian's brother has also pled guilty to tax fraud. End Summary.

WAITRESS AS TAX FRAUD MASTERMIND?

2.(C) On March 21, Anush Ghavalian, a waitress at one of Sukiasian's Pizza di Roma restaurants in downtown Yerevan, was questioned by investigators of the State Tax Service (STS), apparently as a witness in a STS inquiry into Sukiasian's business empire. However, she was arrested the same day and charged with tax evasion. STS investigators allege that she was working as a cashier and had failed to input all customer payments into the cash registers, in the process depriving the GOAM of AMD 78 million (USD 250,000) in tax revenue from late 2006 through the first half of 2007. As of late April, she remains in detention. Opposition media have repeatedly decried Ghavalian's detention, pointing out she is a widow, and single mother of two children.

3.(C) Ghavalian followed into detention Gevorg Safarian, executive director of the Pizza di Roma chain, who has been held on tax-evasion charges since last October. In mid-April his detention was extended for two months by a Yerevan court. Safarian's arrest occurred after STS investigators launched a surprise inspection on Pizza di Roma and other Sukiasian-owned businesses, immediately after Sukiasian had appeared at a public rally in support of the leading opposition presidential candidate Levon Ter-Petrosian. Several of the businesses raided by tax officials and police have since been fined millions of dollars.

SING FOR YOUR FREEDOM

14. (C) In a recent interview with RFE/RL, Ghavarian denied all the tax-evasion allegations, and insists she worked at the restaurant as a waitress, not a cashier, as the STS claims. Ghavalian claims that she is effectively being held for ransom by the STS. "They say, 'We'll set you free once they pay up.'" She also claims police have offered her

freedom in exchange for giving incriminating testimony against Sukiasian. "They told me that if I give the right testimony they'll let me go. I said 'what is the right testimony?' They said 'That you gave the money to Gevorg (Safarian).' I said 'Gevorg never told me to work like that. How can they say that?'"

TOPPINGS WIT' DAT? 12.5 MILLION DOLLAHS!

¶5. (C) If the scale of tax-evasion alleged by the STS is true, pizzerias are much more profitable than we would have imagined. Restaurants pay a 20 percent tax on profits, so if Ghavalian's actions deprived the GOAM of USD 250,000 in tax revenues, she would have had to hide 1.25 million in profits. Assuming a ten percent profit margin, she would have had to take in USD 12.5 million in unrecorded revenues over about a six-month period. (NOTE: A quick internet search informs us that the highest-grossing restaurant in America is New York's Tavern on the Green, which takes in about USD 40 million per year. A single Pizza di Roma outlet has about 100 seats, in comparison with Tavern on the Green's 800. END NOTE)

GRZO'S BROTHER LANDS IN THE SAUCE

¶6. (C) On April 29, Martin Sukiasian, Khachatur's brother, was released from prison after pleading guilty to tax fraud and paying AMD 120 million (about USD 400,000) in back taxes and fines. He was arrested November 6, 2007, and charged with financial fraud in connection with filing false invoices on medical equipment his company was exporting. (Comment: It is possible that this is a legitimate charge, as importers and exporters frequently lowball invoice prices in order to

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avoid taxes or customs duties. Customs officials typically game this system for rent-seeking opportunities as well. It is quite likely that this is at least selective prosecution, as the timing of his arrest coincided with the broader crackdown on Sukiasian-owned businesses launched last fall. End Comment).

COMMENT

¶7. (C) There are many reasons to view the pizzeria case as a ham-handed effort to retaliate against Sukiasian for his support for LTP. The scale of tax cheating alleged by the STS is mathematically implausible. Sukiasian also seems one of the most tax-compliant of Armenia's oligarchs: his companies usually rank among the country's largest taxpayers. The detention of Safarian and especially Ghavalian are consistent with the GOAM's pattern in recent months of fabricating criminal cases to put a patina of respectability on a campaign of harassment against political opponents and their supporters.

PENNINGTON